

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – February 2018**

Applicant/Obligor:	San Juan Unified School District
Project School:	California Montessori Project San Juan Campus (at Orangevale)
CDS (County – District – School) Code:	34-67447-0112169
School Address/Proposed Site:	6545 Beech Ave. Orangevale, 96625
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary
County:	Sacramento
District in which Project is Located:	San Juan Unified School District
Charter Authorizer:	San Juan Unified School District
Total OPSC Project Cost:*	\$10,414,210.40
State Apportionment (50% Project Cost):	\$5,207,105.20
Lump Sum Contribution:	\$5,207,105.20
Total CSFP Financed Amount:	N/A
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:	2020-21

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that San Juan Unified School District (“SJUSD”) on behalf of California Montessori Project, San Juan Campus at Orangevale (“Orangevale” or “CMPSJ”), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon San Juan Unified, on behalf of California Montessori Project, San Juan Campus at Orangevale paying a lump sum amount of \$5,207,105.40. This recommendation is also contingent upon San Juan Unified, on behalf of California Montessori Project, San Juan Campus at Orangevale, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code, if applicable. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

For purposes of providing proof of the funds available to make the lump sum payment towards the local match, SJUSD has confirmed their expected lump sum payment. The funds for the lump sum contribution will come from the designated building fund, which has a balance of \$179,666,130 as of June 30, 2017. The balance is expected to have approximately \$96,270,855.80 by the end of 2017-18. Staff notes that, prior to release of funds for Advance or Final Apportionment, the Applicant will be required to produce evidence of having the lump sum amount totaling \$5,207,105.40 in a restricted bank account, specifically designated for the CSFP project.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of San Juan Unified School District on behalf of California Montessori Project, San Juan Campus at Orangevale. Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	<ul style="list-style-type: none"> • In 2016-17, SJUSD operated/authorized 67 schools/education centers which consists of a preschool center, 33 elementary schools, 8 K-8 grade schools, 8 junior high schools, 9 high schools, 1 continuation school, 1 independent study school, 1 adult education school, 3 special education schools and 2 charter schools. Enrollment totaled at 39,782 with an ADA rate of 94.8%. • By 2018-19, SJUSD projects an enrollment of 39,822 students.
Debt Service Coverage	The district is providing its matching share through General Obligation (GO) bond proceeds.
Other Financial Factors	<ul style="list-style-type: none"> • SJUSD's building fund (which receives GO bond proceeds) will have an expected balance of \$96,270,855.80 at the end of 2017-18. • SJUSD's general fund (chief operating fund) has a projected balance of \$47,344,939 at the end of 2017-18.
School Information	
Eligibility Criteria	Orangevale has met all eligibility criteria: (1) began operation in 2006; (2) Orangevale's most recent charter was approved July 1, 2016 and is in place through June 30, 2021; (3) Orangevale is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	CMPSJ students have performed comparably or slightly better to both comparable local Elementary schools and the district as a whole in English Language Arts and Mathematics per the "Smarter Balanced" assessment provided through CDE.
Demographic Information	Orangevale currently serves over 1,305 students in grades K-8.

Program Eligibility: On September 6, 2017, at CSFA staff's request, verification was received from San Juan Unified School District confirming that California Montessori Project San Juan Campus (at Orangevale) (1) has been in operation since 2006 and meets the requirements of having key personnel with experience operating and/or managing a California charter school for at least two years, (2) in compliance with the terms of its charter agreements, and (3) in good standing with its chartering authority. California Montessori Project San Juan Campus, at Orangevale's current charter is effective through June 30, 2021.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: California Montessori Project, San Juan Campus (at Orangevale) is applying for rehabilitation for 6545 Beech Avenue, Orangevale, CA 96625. The campus is comprised of 26,878 sq. ft. of building area on 9.3 acres of land. The majority of the buildings were constructed in 1957. In addition to CMPSJ, the facilities are also occupied by San Juan Unified School District preschool classes. CMPSJ occupies 22,555 sq. ft. of the total building area.

The anticipated project scope will include Americans with Disabilities Act (ADA) and restroom upgrades, complete heating and air replacement, new electrical service and distribution, new plumbing infrastructure, interior finishes and flooring, new windows and doors, structural upgrades, new roofing/gutters, and exterior painting. Per the Office of Public School Construction, project costs are estimated to be approximately \$10,414,210.40.

Obligor Organizational Information: San Juan Unified School District is a school district located in Sacramento County that operates and/or authorizes 61 schools: 33 elementary schools, 8 middle schools, 8 K-8 schools, 12 high schools, and also 5 centers.

San Juan Unified School is comprised of the following mix of races/ethnicities: White, 56.7%; Hispanic/Latino, 22.9%; Asian, 5.4%; African American, 7.4%; 2 or More Races, 4.3%; Filipino, 1.3%; American Indian/Alaska Native, 0.9%; Pacific Islander, 0.8%; and 0.3% Non-Reporting.

The 2017-18 board members are President Pam Costa, Vice President Saul Hernandez, Clerk Paula Villescaz, Greg Paulo, and Dr. Michael McKibbin. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the San Juan Unified School District.

School Organizational Information: California Montessori Project - San Juan Campus (at Orangevale) is a public charter school located within the boundaries of San Juan Unified School District and is authorized by San Juan Unified School District. Orangevale's initial charter was submitted to San Juan Unified in 2006 and approved. The most recent charter was submitted in 2015 and renewed from July 1, 2016 through June 30, 2021. The school is

a direct-funded independent charter school and is operated by a California nonprofit public benefit corporation pursuant to California State Corporations Code, Title 1, Division 2, Part 2, section 5110, et seq.

The mission of the California Montessori Project (CMP) is to offer a quality, tuition-free Montessori Education that challenges students to reach their full potential. Today, the CMP network serves over 2,500 students at seven campuses throughout the greater Sacramento region. Components of the current California Montessori Project include: Learning Environment: Comprehensive academic development using Montessori-based curriculum, social development to address the “whole” child, field-based learning for all grade levels, and focus on peaceful school community through character education and Montessori peace curriculum; Teaching Staff: CA State-Credentialed & Montessori-Certified teachers (dual certification), participation in state-accredited Teacher Induction Programs (BTSA), and low student-to-teacher ratios; Family Support: Parent education classes (Understanding the Montessori Classroom, Love & Logic, Parenting, Volunteer Training and others), extended care programs, afterschool academic intervention, enrichment, and sports programs; Technology Based Curriculum: Individual access to technological devices at all grade levels, implementation of Rosetta Stone, foreign language technology-based program, implementation of Learning.com integrated technology program, implementation of Read Naturally, Signs for Sounds, and Word Warm Ups programs, an implementation of Response to Intervention program; Professional Growth/Orientation Opportunities: a pre-services orientation for new instructional staff - the sessions include orientation and overview addressing alignment of state standards and Montessori curriculum, use of Montessori materials, classroom management, and application of technology in the classroom. The program, on an annual basis, has served between 15 and 20 new teaching staff, extensive training of new teachers not yet trained on Montessori pedagogy at site-based, accredited Montessori Training Centers and Teachers Colleges, staff development days, which include keynote speakers, as well as break-out workshops, and planning sessions facilitated by CMP instructional leaders, and two Early Release Days per month to focus on Staff Professional Development.

The current Executive Director/Superintendent of California Montessori Project is Gary S. Bowman, an educator with over 20 years of experience as teacher, administrator, school board member and consultant within the realms of traditional, charter and private schools. Mr. Bowman received his Masters of Science in Education Degree in Curriculum and Instruction from Dominican College of San Rafael, CA, and Administrative Services Credential (Levels One and Two) in association with coursework completed at St. Mary's College (Moraga, CA) and Chico State University.

The Orangevale campus is governed by the California Montessori Project's governing board of directors which consists of 10 current members: Chairperson Rob Henderson, Vice President Andrea Ridge, Chief Financial Officer Jenny Savakus, Dave Nelson, Sara Meece, Wes Pepper, Christopher Clark, Scott Porter, Jennifer Rezentes, and Tamika L'Ecluse.

Staff has reviewed the credentials of the key board member and determined them to have the proper background and experience to govern and effectively oversee the operations of California Montessori Project San Juan Campus (at Orangevale).

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of CMPSJ, the combined averages of local elementary schools, Cambridge Heights Elementary and Coyle Avenue Elementary, and local middle schools, Sylvan Middle and Will Rogers Middle (Local Schools), and SJUSD. The results are provided through CDE’s CAASPP Smarter Balanced testing data.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
CMPSJ	49%	52%	50%
Local Schools	35%	38%	38%
SJUSD	42%	46%	44%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
CMPSJ	N/A	Average	Low	N/A	0/5	3/5
Local Schools	N/A	High; Average; Average; Low	High; Low; Low; Average	N/A	0/2; 1/4; 4/6; 6/6	0/2; 4/4; 5/7; 4/7
SJUSD	N/A	Average	Low	N/A	3/11	11/13

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
CMPSJ	21%	38%	35%
Local Schools	25%	31%	30%
SJUSD	32%	36%	34%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
CMPSJ	N/A	Average	Low	N/A	1/6	5/5
Local Schools	N/A	Highest; Average; Low; Average	High; Low; Lowest; Low	N/A	0/2; 1/4; 5/6; 2/6	0/2; 4/4; 7/7; 7/7
SJUSD	N/A	Average	Low	N/A	3/11	10/13

Enrollment Trends and Projections: The tables below present enrollment information for SJUSD and CMPSJ from 2013-14 through 2019-20. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

District-wide Student Enrollment and Average Daily Attendance

<u>SJUSD</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	40,222	40,032	39,984	39,782	39,822	39,869	39,943
ADA	95.2%	95.1%	94.7%	94.8%	94.5%	94.6%	94.6%

School Student Enrollment and Average Daily Attendance

<u>CMPSJ</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	1,079	1,213	1,289	1,305	1,317	1,326	1,345
ADA	95.4%	95.5%	95.2%	94.8%	95.0%	95.0%	95.0%

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for SJUSD, the financial obligor and Applicant, on behalf of CMPSJ: (1) audited financial statements for 2013-14 through 2016-17; (2) adopted budget for 2017-18; and (4) budget projections for 2018-19 and 2019-20 along with assumptions. Please note that staff’s analysis of SJUSD’s financial performance, including the evaluation operating budget and liquidity, is based on the General Fund only.

Assumptions: SJUSD’s financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation beginning in 2017-18; (2) District-wide enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected District-wide ADA rates of 94.6%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$8,806 for 2017-18, and (5) along with projected changes in LCFF funding level adjustments of 2.43% (2017-18), 3.72% (2018-19), and 2.77% (2019-20).

Long Term Liabilities: As provided by the 2016-17 audited financial statements, SJUSD has a total of \$1,046,776 in long-term liabilities. The long-term liabilities are from the following: \$476,114,660 in general obligation bonds, \$ 62,129,138 in accreted interest, \$25,760,045 in premium on issuance of general obligation bonds, \$1,843,785 in capitalized lease obligations, \$375,161 in qualified school construction bonds, \$29,740,736 in other postemployment benefits, \$4,794,590 in compensated absences, and \$446,017,00 in net person liability. Only \$41,741,139 is due within one year. The following is a breakdown of the amount due within one year: \$34,454,953 in general obligation bonds, \$2,052,572 in unamortized premium on issuance of general obligation bonds, \$315,215 in capitalized lease obligations, \$123,809 in Qualified Zone Academy Bonds, and \$4,794,590 in compensated absences.

General obligation bonds are paid from the Bond Interest and Redemption Fund. Payments on capitalized lease obligations and Qualified Zoning Academy Bonds are made from the

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General and Capital Facilities Funds. Payments for other postemployment benefits and compensated absences are made from the fund from which the related employee worked. Unable to locate fund balances or specified payments from funds to debt.

Private Contributions: SJUSD does not rely on any private contributions.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding SJUSD’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS							
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
OPERATIONAL & FINANCIAL							
Enrollment	40,222	40,032	39,984	39,782	39,822	39,869	39,943
Average Daily Attendance (ADA)	38,289	38,089	37,863	37,695	37,640	37,704	37,786
Average Daily Attendance (%)	95.2%	95.1%	94.7%	94.8%	94.5%	94.6%	94.6%
LCFF Sources/ADA	\$ 6,681	\$ 7,339	\$ 8,168	\$ 8,600	\$ 8,806	\$ 9,114	\$ 9,354
% Change		9.8%	11.3%	5.3%	2.4%	3.5%	2.6%
Operating Revenues/ADA	\$ 8,857	\$ 9,638	\$ 11,269	\$ 11,253	\$ 11,431	\$ 11,532	\$ 11,737
% Change		8.8%	16.9%	-0.1%	1.6%	0.9%	1.8%
Operating Expenses plus CSFP Lease/ADA	\$ 8,724	\$ 9,537	\$ 10,350	\$ 11,224	\$ 11,867	\$ 11,915	\$ 11,999
% Change		9.3%	8.5%	8.4%	5.7%	0.4%	0.7%
Free Cash Flow/ADA	\$ 133	\$ 101	\$ 919	\$ 29	\$ (437)	\$ (383)	\$ (262)

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
DEBT SERVICE COVERAGE							
Total Operating Revenues	\$ 339,111,833	\$ 367,097,583	\$ 426,693,664	\$ 424,160,921	\$ 430,252,115	\$ 434,801,158	\$ 443,476,743
Total Operating Expenses	334,025,000	363,263,568	391,900,437	423,074,552	446,691,219	449,225,619	453,379,994
Total Other Sources/Uses	3,172,469	(125,190)	(7,836,936)	(1,499,289)	(2,180,496)	(2,180,496)	(2,180,496)
Net Income Available for CSFP Lease Payment	8,259,302	3,708,825	26,956,291	(412,920)	(18,619,600)	(16,604,957)	(12,083,747)
Add Back Capital Outlay	2,752,288	1,093,789	530,700	3,010,919	65,112	65,112	65,112
Add Back Depreciation	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	11,011,590	4,802,614	27,486,991	2,597,999	(18,554,488)	(16,539,845)	(12,018,635)
CSFP Lease Payments	-	-	-	-	-	-	-
Free Cash Flow	\$ 11,011,590	\$ 4,802,614	\$ 27,486,991	\$ 2,597,999	\$ (18,554,488)	\$ (16,539,845)	\$ (12,018,635)
LIQUIDITY							
Current Assets	\$ 215,424,987	\$ 303,355,480	\$ 282,815,188	\$ 407,180,723			
Current Liabilities	36,817,550	41,698,815	27,987,651	47,358,544			
Net Working Capital	\$ 178,607,437	\$ 261,656,665	\$ 254,827,537	\$ 359,822,179			
Net Working Capital/Oper. Expenses	53.5%	72.0%	65.0%	85.0%			
Unrestricted Cash & Cash Equivalents	\$ 157,377,835	\$ 278,990,470	\$ 253,351,446	\$ 379,723,882			
Unrest. Cash & CE/Oper. Expenses (Days)	172	280	236	328			
Unrest. Cash & CE/All Expenses (Days)	172	280	236	328			

Benchmark Summary:

- Free Cash Flow/ADA – Met: \$14 avg. (>\$0)
- Free Cash Flow – Not Met: - \$173,396 avg. (>\$0)
- Net Working Capital as Portion of Operating Expenses – Met: 68.9% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Met: 254 days (> 90 days)

Summary of Financial Findings and Special Considerations: Given that SJUSD has agreed to make a lump-sum payment of \$5,207,105.20 to cover the local matching share, no loan is anticipated and debt service coverage is not a consideration. Rather, the financial analysis focuses on whether SJUSD can meet its General Fund operating obligations. Though reporting and projecting negative net income for 2014-15 through 2019-20, the General Fund's balance averages \$61,355,684 over those six fiscal years. Staff also notes that in the projected years of 2017-18 through 2019-20, the net deficits would represent 3%, 5% and 6% of the ending fund balances, respectively. Hence, SJUSD has sufficient reserves to offset its net deficits, if necessary.

Though CMPSJ has no financial obligation with the CSFP project, staff reviewed CMPSJ's financials to ensure the school was financially viable to continue operations. CMPSJ projects negative operating income from 2018-19 through 2020-21. CMPSJ does project positive net income in 2021-22 and 2022-23. It should be noted that CMPSJ averages a fund balance of \$3,411,839 from 2015-16 through 2019-20. The deficits and projections are 2%, 6% and 1% of their respective years' fund balance. The projected fund balance for 2022-23 is expected to be \$3,846,458.

Major funding sources for CMPSJ for its projected 2017-18 budget include General Purpose Entitlement revenue which accounts for approximately 85% of CMPSJ's current income; federal revenue which accounts for approximately 2%; state revenue which accounts for approximately 8% of income; and other local income sources account for approximately 5% of CMPSJ's current income.

Strengths, Weaknesses and Mitigants:

- + CMPSJ is financially viable based on a review of projected budgets for 2017-18 through 2022-23 which staff considers reasonable.
- + SJUSD's General Fund balance, as of June 30, 2017, was \$82,569,502 with \$35,532,175 in unrestricted funds overall.
- + SJUSD has confirmed the matching share will be through a lump sum payment from a designated building fund, which as of June 30, 2017, had a balance of \$179,666,130.
- + Per Moody's, SJUSD's credit position is very strong and its Aa2 rating slightly exceeds the median rating of Aa3 for school districts in the United States. The credit drivers include a robust financial position and a healthy socioeconomic profile with an extensive tax base. It also incorporates an affordable debt liability with a sizable pension burden.
- +/- SJUSD has operated or projects to be operating with a General Fund deficit in income from 2014-15 through 2019-20, but has adequate fund balances at the end of each of these years or projected to offset.

Staff Recommendation: Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that San Juan Unified School District on behalf of California Montessori Project, San Juan Campus at Orangevale, is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon SJUSD, on behalf of California Montessori Project, San Juan Campus at Orangevale paying a lump sum amount of \$5,207,105.20. This recommendation is contingent upon SJUSD, on behalf of California Montessori Project, San Juan Campus at Orangevale, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code, if applicable. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

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